

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 H-03

CIAE-00 DODE-00 INR-10 NSAE-00 PA-04 USIA-15 PRS-01

FEA-02 INT-08 SEC-03 DRC-01 FRB-02 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 /194 W

----- 037695

R 011716Z FEB 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7628

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 01495

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: EFIN, UK

SUBJECT: UK REACTION TO REMOVAL OF US CONTROLS

BEGIN SUMMARY: THE BRITISH PRESS OF WEDNESDAY, JANUARY 30,

GAVE FULL COVERAGE TO REMOVAL OF U.S. CAPITAL CONTROLS

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WITH EDITORIAL COMMENT FOCUSING ON THE TIMING OF THE MOVE

AND THE EFFECT IT WILL HAVE ON LONDON AS A FINANCIAL CENTER. IMMEDIATE IMPACT OF THE MOVE WAS A WEAKENING OF THE DOLLAR AND STRENGTHENING OF STERLING, WHICH ROSE 4.5 CENTS AGAINST THE DOLLAR ON JANUARY 29. FINANCIAL CIRCLES SEE THE MOVE AS WELL-TIMED. END SUMMARY

1. THE FINANCIAL TIMES (FT) EDITORIAL SEES THE REMOVAL OF THE U.S. CONTROLS AS DESIGNED TO SLOW DOWN THE RAPID APPRECIATION OF THE DOLLAR WHICH HAS OCCURRED IN RECENT WEEKS. WHILE THE POLICY IMPLICATIONS OF THE ACTION MAY BE AMBIGUOUS, THE FT SEES IT AS A MOVE "TO PROTECT THE U.S. TRADING POSITION BY RESISTING THE APPRECIATION OF THE DOLLAR, THUS FRUSTRATING ATTEMPTS BY JAPAN AND OTHER COUNTRIES TO PAY PART OF THEIR OIL BILL BY EARNING A SURPLUS ON NON-OIL ACCOUNT." THE FT STRESSES IN TIMES SUCH AS THESE THE MEANINGS AND OBJECTIVES OF MOVES MADE IN THE MONETARY FIELD SHOULD BE CLARIFIED AND RECONCILED IN THE INTERNATIONAL MEETINGS OF THE NEXT FEW WEEKS. "IT IS CLEAR THAT THE DEVELOPED WORLD AS A WHOLE IS LIKELY TO BE IN LARGE DEFICIT FOR SOME TIME, ACQUIRING THROUGH CAPITAL REFLOWS THE FINANCE TO COVER THEIR DEFICIT, AND IN THIS CONTEXT THE U.S. MOVE IS A TIMELY PREPARATION FOR TROUBLE-FREE RECYCLING."

2. THE TIMES EDITORIAL FOCUSES ON "WHAT NIXON'S MEASURES MEAN FOR EURO-MARKETS." BASICALLY, THE REMOVAL OF THE CONTROLS WILL NOT SEE THE DEMISE OF THE EURO-MARKETS AND LONDON'S ROLE IN THEM. THE RETENTION OF WITHHOLDING TAX, FORMIDABLE DISCLOSURE REQUIREMENTS BY THE SEC, AND REGULATION Q WILL ALL CAUSE MUCH OF THE EURO-MARKET BUSINESS TO REMAIN IN LONDON.

3. THE DAILY TELEGRAPH NOTES: "BY ENDING CONTROLS ON CAPITAL OUTFLOW FROM AMERICA, PRESIDENT NIXON HAS CONFIRMED THE REENTHRONEMENT OF THE DOLLAR AS THE KING OF THE WORLD'S CURRENCIES.... THE TRANSFORMATION OF THE PAST SIX MONTHS, WITH THE TRADE AND PAYMENTS DEFICIT TURNED INTO A HEFTY SURPLUS, AND THE EBULLIENT DOLLAR RIDING ALMOST TOO HIGH, HAS BEEN SENSATIONAL. IT IS THE TURN OF THE UPSTART PRINCELINGS AMONG THE WORLD CURRENCIES-THE YEN, UNCLASSIFIED

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THE FRENCH FRANC AND EVEN TO SOME EXTENT THE DEUTSCHMARK TO BE CUT DOWN TO SIZE.... THE EUROPEAN COMMUNITY IS

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

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SIL-01 L-03 H-03 DODE-00 PA-04 USIA-15 PRS-01 FEA-02

INT-08 SEC-03 DRC-01 /194 W

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R 011716Z FEB 74

FM AMEMBASSY LONDON

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INFO AMEMBASSY BERN

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SUFFERING FROM INDIGESTION AND GROWING PAINS. ALL OF WHICH GOES TO SHOW THE IMPORTANCE OF SIZE, HOMOGENEITY, A HIGH DEGREE OF SELF-SUFFICIENCY AND SELF-CONFIDENCE. THESE ARE AMERICA'S ENORMOUS ASSETS, AND THEY FLOURISH UNIQUELY UNDER FREE-ENTERPRISE DEMOCRACY."

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4. DEALINGS IN THE LONDON FOREIGN EXCHANGE MARKETS WERE EXTREMELY CONFUSED IN LATE DEALINGS ON JANUARY 29. THE POUND GAINED 4.5 CENTS ON THE DOLLAR AND HAS CONTINUED TO STRENGTHEN AGAINST THE WEAKENED DOLLAR ALL WEEK. ON THURSDAY, JANUARY 31, THE POUND CLOSED AT \$2.2770, UP 710 POINTS FROM MONDAY'S (JANUARY 28) CLOSE OF \$2.2060.

5. FINANCIAL CIRCLES SEE THE U.S. MOVE AS EXTREMELY WELL-TIMED. WHILE CONTROLS WERE EXPECTED TO BE REMOVED BY END-1974, THE EARLY REMOVAL, WHILE TAKING SOME BY SURPRISE WAS SEEN AS THE RIGHT ONE IN LIGHT OF THE STRONG U.S. BALANCE OF PAYMENTS POSITION AND A RAPIDLY APPRECIATING DOLLAR. THE MOVE HAS LEFT THE FINANCIAL MARKETS RELATIVELY UNDISTURBED.

ANNENBERG

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Draft Date: 01 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
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Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Status: NATIVE
Subject: UK REACTION TO REMOVAL OF US CONTROLS BEGIN SUMMARY: THE BRITISH PRESS OF WEDNESDAY, JANUARY 30
TAGS: EFIN, UK, US, JA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005